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ABSTRACT

This document contains the text of a 1979 hearing called to address the issue of economic disparities that exist between white and black Americans. The issue focused on during this hearing was the loss of revenue to the black community imposed by economic disparity and the imposed cost of institutional barriers preventing economic parity. A research paper entitled "An Estimate of the Loss in Potential Gross National Product Due to Existing Employment, Productivity, and Wage Differentials Between White and Non-White Workers in the United States," by Charles C. Ciccone and John D. Fisk, was submitted to the committee. Melvin Humphrey of the Equal Employment Opportunity Commission discussed his research paper, "Black Experience Versus Black Expectations." Victor Perlo of the New School for Social Research addressed the reasons for economic gaps between whites and blacks in the United States and submitted a prepared statement, "Widening Economic Differentials by Race--Facts and Causes." (MK)

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THE COST OF RACIAL DISCRIMINATION

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

NINETY-SIXTH CONGRESS

FIRST SESSION

OCTOBER 19, 1979

Printed for the use of the Joint Economic Committee

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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THE COST OF RACIAL DISCRIMINATION

FRIDAY, OCTOBER 19, 1979

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to notice, at 10:32 a.m., in room 210, Cannon House Office Building, Hon. Parren J. Mitchell (member of the committee) presiding.

Present: Representative Mitchell.

Also present: David W. Allen and M. Catherine Miller, professional staff members; Mark Borchelt, administrative assistant; Katie MacArthur, press assistant; and Mark R. Policinski, minority professional staff member.

OPENING STATEMENT OF REPRESENTATIVE MITCHELL, PRESIDING

Representative MITCHELL. Good morning. The hearing will now come to order.

Today we shall hold a hearing to address the issue of economic disparities that exist between white and black America.

The focus of this hearing will be to develop costs associated with economic disparities and to provide a background for an analysis of the costs of discrimination.

As a Member of Congress, I have been a proponent of economic growth and programs targeted to meet the needs of the minority community. I am reasonably sure that my colleagues have become annoyed when I constantly refer to the disparity of unemployment and the disparity of rates between blacks and whites.

In fact, I have earned a name, a reputation as the economic caretaker of the black community. I am not at all sure that is apropos, but nevertheless, it is there.

We discussed the disparity in unemployment and suggested remedies to suggest a more equitable dispersion of its effects, yet we have not acknowledged that economic disparity is costing the black community in foregone revenues.

Today, we want to address the issue of this revenue loss or imposed cost caused by institutional barriers preventing economic parity.

We have asked for and received from the Congressional Research Service a research paper which is an estimate of the loss in potential gross national product due to existing employment, productivity, and wage differentials between white and nonwhite workers in the United States.

This paper measures the potential increase in the Nation's output assuming a hypothetical situation in which economic differentials did not exist, while at the same time assuming other crucial accommodating economic activity.

Using 1978 data, this paper shows that nonwhite workers would have gained $9.7 billion in personal income if their unemployment rate and median salary were commensurate with their white counterparts. Due to excessive rates of unemployment targeted to the nonwhite community, there was a $9.7 billion loss in personal income. That factor, coupled with a calculation of $27.9 billion that could have been generated by nonwhite workers, who were already employed, had they received the same median full-time annual wages and/or salaries as white workers, totals $37.6 billion in foregone personal income in the nonwhite communities of America in 1978.

In 1 year, the nonwhite communities of America lost $37.6 billion due to racial disparities of the community.

Today we have two witnesses who will address the issue of the costs of racial disparities in the economy.

I am delighted to say that both persons are friends and persons whom I have known for a long period of time and individuals for whom I have a very happy and utmost respect.

Mr. Melvin Humphrey, who is the Director of Research for the U.S. Equal Employment Opportunity Commission, will discuss his research and conclusions in measuring the costs of racial disparities.

Mr. Victor Perlo, who is a private consultant and professor at the New School of Social Research, New York, N.Y., will discuss his extensive research in the area of racial disparities.

Gentlemen, it is so very kind of you, both of you, to take the time to be here. I know what your schedules are. I know what the demands are on you.

I would suggest that we hear from both of you, and then we will move into the question period.

At this point I will place in the hearing record the research paper I referred to in my opening statement.

[The research paper follows:]

AN ESTIMATE OF THE LOSS IN POTENTIAL GROSS NATIONAL PRODUCT DUE TO EXISTING EMPLOYMENT, PRODUCTIVITY, AND WAGE DIFFERENTIALS BETWEEN WHITE AND NONWHITE WORKERS IN THE UNITED STATES

(By Charles C. Ciccone, specialist in business and labor economics, and John D. Fisk, analyst in labor economics, Economics Division, Congressional Research Service, Library of Congress)

ACKNOWLEDGEMENTS

The authors wish to acknowledge the thoughtful comments and help of Dr. Everson Hull, specialist in macroeconomics in the Congressional Research Service. Of course, any shortfalls in the paper must be attributed to the authors.

This analysis estimates the loss in potential 1978 U.S. gross national product (GNP) in current dollars due to existing differentials in employment levels, productivity and average wages between white and non-white workers.[1] This report measures the potential increase in the Nation's output assuming, as instructed by the requester, a hypothetical situation in which the differentials did not exist, and assuming other crucial accommodating economic activity. Average productivity, employment, and wages are presumed to be equal to that prevailing for white workers.

This report makes no attempt to isolate particular causes for the existing differentials in employment, productivity, and wage levels. Rather, the analysis recognizes that many current or past causes may exist, including: (*a*) Unequal skill and educational levels; (*b*) racially discriminating hiring and pay raise policies;

[1] We refer to current 1978 dollars.

(*c*) unequal health care and housing; (*d*) differences in labor market mobility; (*e*) disparities in personal motivation and effort. While each of these possible factors may be the direct or indirect result of overt as well as latent discrimination, this analysis makes no attempt to assign degrees of probability or severity to any one factor. Instead, it uses available data which indicate that substantial differences in employment levels and wage rates exist between white and non-white workers. Given these data, the report quantifies the hypothetical addition to GNP forgone due to these differentials.

Because the factors involved in measuring the potential addition to GNP are numerous and complex, this analysis makes the following crucial assumptions, some of which may be questioned:

(1) In the absence of historical forces generating employment and wage differentials between white and non-white workers, no differences in average competence and productivity between races would exist. Thus both white and non-white workers would be proportionally dispersed among occupations, would on the average have equal skill levels, and would have equal median annual pay.[2] (We assume workers would be paid the value of their marginal product.)

(2) Non-white workers would be paid at the annual median wage level prevailing for white workers.[3]

(3) Increased job competition would not significantly change the median pay for whites prevailing in any labor market; median annual pay levels for all workers would be equal to those currently prevailing for whites.

(4) Unemployment among all workers due to racially discriminatory hiring practices would not exist; average employability of all races would be the same; unemployment rates for non-white workers would be equal to those existing for white workers. (We assume no changes in labor force participation.)[4]

(5) Aggregate demand for goods and services would expand sufficiently to absorb increased output generated by more productive employed non-whites, and by newly employed non-whites; savings and investment would grow sufficiently; the monetary authorities would make the necessary adjustments in the money supply.

Given the above critical assumptions, this analysis uses the following data:

(*a*) Average annual unemployment rates for white and non-white workers in 1978.

(*b*) Median annual earnings of full-time wage and salary white and non-white workers based on weekly wage levels prevailing in May 1978.[5]

(*c*) The amount of transfer payments (unemployment compensation, food stamps, Aid to Families with Dependent Children—Unemployed Parent) received by black unemployed heads of household in fiscal 1978.

These data were then used to compute the following:

(*a*) The number of additional non-white workers who would have been employed in 1978 had the unemployment rate for non-whites been equal to the rate existing for whites in that year.

(*b*) The aggregate amount of wages and salaries these additional employed non-white workers would have received in 1978 if they were equally qualified as whites and were paid at the white median full-time annual earnings level.

(*c*) The estimated amount of transfer payments received by the previously unemployed non-whites as an offset to the additional total spendable earnings generated among the newly employed nonwhite workers.

(*d*) The additional aggregate amount of wages and salaries the already employed non-white workers would have received in 1978 had their median full-time annual wage and salary levels been equal to the annual median full-time wage level prevailing for white workers in 1978.

(*e*) A multiplier of 2.5 is applicable to the total of (*b*), (*c*) and (*d*) above to account for the multiplier effect such additional income would have on GNP. While the 2.5 factor is considered to be at the higher end of reasonable estimates, it is considered appropriate in this case because of the relatively strong impact these changes would have on low income groups in the economy.

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[2] 50 percent of all workers earn more than the median; 50 percent earn less.

[3] A more likely situation might be equalization of wage levels slightly below that prevailing for whites; however, there is no ready method for determining the equilibrium median wage. Consequently, we have assumed that nonwhites would on the average be paid at the median level prevailing for whites.

[4] A decline in the national unemployment rate is typically associated with increased labor force participation by discouraged and other workers.

[5] By using earnings for full-time employees, we have implicitly assumed that all employed nonwhites are working full-time and assumed that the additional newly employed nonwhites get full-time jobs. We have made this assumption only because of data limitations.

Because this estimation process is one of several which could have been used, the results represent only a rough estimate of the potential impact on GNP of present employment and salary differentials between white and non-white workers. Based on the assumptions and limitations specified in this report, this procedure estimates that the impact of racial differentials in employment and income on 1978 current dollar GNP could have been approximately $93.5 billion. This is equivalent to a potential increase of 4.4 percent over 1978 GNP. (Even though we have assumed otherwise, this $93.5 billion increase would most likely not be captured totally within 1978. Our assumption avoids difficulties in apportioning the GNP increase between 1978 and future years.) Although this GNP increase would be a once-and-for-all time adjustment, higher levels of GNP in successive years brought about by the assumed more equitable, efficient, and robust total labor market would benefit the economy as a whole, and would avoid any waste of latent manpower associated with wide discriminatory differentials in wage and employment levels.

Data and calculations used in arriving at this estimate are:

(1) (a) Labor force data, 1978.[6]

[Annual averages]

	White	Nonwhite
Civilian labor force	88,456,000	11,964,000
Employed	83,836,000	10,537,000
Unemployed	4,620,000	1,427,000
Unemployment rate (percent)	5.2	11.9

(*b*) Number of non-white workers unemployed if the 1978 annual average non-white unemployment rate ((11.9 percent) was equal to the white 1978 average annual rate (5.2 percent): 622,000.

(*c*) Difference between the actual 1978 annual average non-white employment (1,427,000) and "equalized" non-white unemployment above: 805,000.

(2) Median earnings of full-time Wage and Salary Workers, May 1978.[7]

	White workers	Black workers	Differential
Weekly earnings	$232	$181	[1] $51
Annualized	12,064	9,412	[2] 2,652

[1] Per week.
[2] Per year.

(3) Additional wage and salaries earned if employment for white and non-white workers were equalized at 5.2 percent and if annual median wage and salary levels were equalized at $12,064:

805,000 (white and non-white unemployment differential)
×$12,064 (annualized white 1978 wage and salary earnings)

$9.7 billion

(4) Additional wages and salaries earned if already employed non-white workers received the same median full-time annual wages and salaries as white workers in 1978:

10,537,000 (number of non-white workers employed in 1978)
×$2,652 (earnings differential)

$27.9 billion

(5) Sum of No. (3) and No. (4) above: $37.6 billion.

[6] U.S. Bureau of Labor Statistics. Employment and Training Report of the President, 1979. Table A–7, p. 247.
[7] J. N. Hedges and E. F. Mellor, "Weekly and Hourly Earnings of U.S. Workers, 1967–1978." Monthly Labor Review, August 1979, p. 33.

(6) Total estimated potential impact on 1978 current dollar GNP:	Billions
Additions to wage and salaries	$37.6
Less estimated transfer payments received by previously unemployed non-white workers [1]	−.2
Equals	37.4
Multiplier effect on GNP	×2.5
Equals total estimated potential impact on 1978 current dollar GNP [2]	93.5
Plus actual 1978 current dollar GNP [3]	+2,127.6
Equals total potential GNP without employment, productivity, and wage differentials	2,221.1
Potential percentage increase over 1978 current dollar GNP	4.4

[1] Based on Congressional Budget Office data.
[2] Even though we have assumed otherwise, this increase will most likely not be captured totally within 1978. Our assumption avoids difficulties in apportioning the GNP increase between 1978 and future years.
[3] U.S. Council of Economic Advisers. Economic Indicators, September 1979, p. 1.

Representative MITCHELL. Mr. Humphrey, would you lead off, please?

STATEMENT OF MELVIN HUMPHREY, DIRECTOR, RESEARCH AND HEARINGS ADVISORY GROUP, EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, WASHINGTON, D.C.

Mr. HUMPHREY. I am Melvin Humphrey, Director, Research and Hearings Advisory Group, Equal Employment Opportunity Commission.

I appreciate your invitation to participate in this meeting of the Joint Economic Committee on the subject of economic disparities.

I was specifically requested to attend in order to discuss my earlier research which was published in 1977, "Black Experience Versus Black Expectations." I am therefore pleased to share with you these personal comments and am grateful to the Commission for permission to do so.

Let me briefly state the basic assumptions of the study, summarize its major findings and conclusions, and then share with you some thoughts of mine on the costs of employment discrimination to the black community.

The study was based on the general proposition that black workers are entitled to a fair share of gainful employment and that the attainment of that fair share is a desirable social and economic national goal of the highest priority.

The primary assumption of this study is that there exists in the labor market a sufficient pool of blacks, like whites, who are qualified or qualifiable for entry level positions, or higher level positions, in many of the occupations included under the broader job categories listed on EEO–1 reports filed with the Commission by private employers.

It is assumed, and we do show, that the number of blacks in this pool is more than adequate to meet the labor requirements to raise black employment to a fair-share level.

Therefore, any level of black employment below the fair-share level is the product of institutional employment procedures and practices which exclude blacks from gainful employment and certain job assignments.

When we looked at the employment data for officials and managers, professionals, technicians, sales workers, and craft workers over a 5-year period, we found little to support the then common notion that "blacks have come too far too fast."

On the contrary, the data clearly indicate that for each of the job categories, the employment gaps between black employment and black availability still exist.

The overall increase in black participation rates between 1969 and 1974 ranged from 1 percentage point for professional jobs to 2.7 percentage points for office and clerical workers. When these changes are translated into annual movements, I think that the progress becomes a mirror reflection of the tokenism found in other aspects of American life.

This does not mean, however, that there was no improvement. Indeed, the study showed that there had been some improvement in the overall employment posture of black workers, and a reduction in the level of the employment gap.

We found that black employment has slightly increased over the 1969 to 1974 period and in all probability we predict it will continue to increase.

Our model suggests that changes in black employment are closely related to time, but that the passage of time alone does not fully explain the increase in black employment. Obviously, other factors, not the least of which is the enforcement of title VII, have had a favorable impact.

However, despite this improvement, the size of the employment gap—945,000—demonstrated the magnitude of black underrepresentation in the EEO–1 work force. If the assumptions regarding the availability of black labor were valid, and I believe that they were, then the existence of the gap would imply that racially discriminatory practices strongly influence employment decisions in this country and constitute the major cause of employment discrimination against blacks.

Racial discrimination in employment continues even after blacks are hired. We found that black workers were treated differently from white workers when job assignments were made.

For example, while only 34 percent of all black workers were employed in the six job categories, 65 percent of all white workers were employed in these same categories.

This does not mean that there was no improvement. These are the better paying jobs.

I believe that this inequality of job assignments between black and white workers is of such magnitude that it could not have happened by mere chance, but resulted from deliberate employment decisions designed to limit the advancement of blacks into selected job categories.

I doubt seriously if such results could have occurred through the process of randomly selecting employees from a common pool.

We also looked at the earnings positions of black workers to determine if their earnings kept pace with those of white workers, and to

see how the relative earnings' position between the two groups changed during the period.

We found that on the average, the earnings of whites increased faster than those of blacks and that the wage gap between the two groups increased. The existence of the wage gap suggests that blacks are treated differently from whites when employers make job assignments.

Assuming the principle of equal pay for equal work is operative, it would appear that black workers, as a class, tend to be concentrated in those occupations where the wages are the lowest.

Once again, I maintain that this type of discriminatory treatment in job assignments adversely impacts upon the earnings of blacks and that this result could not have happened by chance.

Thus, it would appear to me that employment discrimination against members of the black community occurs in three dimensions: One, there is employment discrimination in the hiring of blacks; two, once hired, there is employment discrimination in the form of segregated and/or unequal job assignments; and three, once assigned to a job, employment discrimination in advancement and promotional opportunities relegates black workers to those positions which provide lower earnings than those of white workers.

Such employment discrimination targeted against blacks results in the loss of billions of dollars in wages which would have been earned if blacks had been employed at fair-share levels with equality of occupational distribution and job assignments.

But as previously stated, blacks are not employed in numbers commensurate with their availability for work, and their job mix and level of earnings lag behind whites. The actual annual wage bill received by blacks is less than the wage bill which would have been expected, based upon fair-share employment, equal job assignments and earnings equal to whites.

The difference between the actual and expected wage bill represents what I call the wage bill gap.

While time does not permit me today to explain in detail the model used to estimate the wage bill gap, it consists of three elements. One element measures the foregone wages which are directly related to the employment gap. A second element measures the lost wages directly attributed to inequality of job assignments within occupational categories. A third element measures the impact of wage differentials upon foregone wages.

If blacks had received their fair share of jobs with equality of job assignments and no wage differentials, it is estimated that the total wages received by blacks in the period 1969 to 1974 would have amounted to $104.7 billion.

Because of employment discrimination, black workers received approximately $43.7 billion.

Thus, according to these estimates, employment discrimination cost black workers $61 billion in lost wages from 1969 to 1974.

I believe that almost $47 billion of this $61 billion wage loss suffered by blacks stemmed from their employment at levels below their fair share and that approximately $14 billion resulted from employment discrimination arising from inequalities in job assignments and wage differentials.

I have the material on the easel there, later on, if you wish to discuss it in detail.

Even more significant, I estimate that the annual wage bill gap rose from $7.6 billion in 1969 to $11.9 billion in 1974.

In addition, the wage bill gap tends to rise faster in a recessionary period than during a recovery period. Such as relationship supports the argument that a recession has a greater devastation upon blacks than upon whites.

Based on the data that we have and projecting for the next 5 years, let's say to 1984, I estimate that the gap would approximately rise to about $100 billion over the next 5 years. That is assuming certain factors occur in the economy.

Now we noticed something else in this study, and that is when would blacks achieve fair employment?

We developed what we called an employment gap and we made some projections. And our projections are when blacks would receive fair-share employment. They are based upon the observations of the data between 1969 and 1974.

We also assumed, in looking at this data and making projections, that the black employment availability rate would increase and that participation rates would increase in the future.

Using a zero level of employment percentage gap; that is, when the gap would no longer exist and based upon the projections of the progress over the period, we estimate that it will be not until the year 2017 before blacks receive a fair share of employment as officials and managers.

For professional and technicians jobs, blacks will not achieve parity until the year 2009. For sales workers, not until the year 2004.

If our model is accurate, we should see parity obtained for blacks in the office and clerical worker category this year.

Now factors such as the ups and downs in the business cycle, the attitude of white America, the level of support for government enforcement of employment discrimination laws could raise or lower our projections for employment gap closure.

The study indicated that the major cause of employment discrimination against blacks is essentially racial, that explanations such as a lack of training, lack of education, and lack of sufficient available labor supply are simply not true.

There seems to be a closer relationship in the employment of blacks than there seems to be between the level of education and employment of whites, leading me to the conclusion that factors other than education determine the level of employment, especially where whites are concerned.

And when we look at the relationship and the change in the level of education, the change in the level of employment for both groups, the same conclusion comes home, that variations in white employment are explained by factors other than education.

Yet, a significant portion of black employment, changes in black employment are explained by changes in education, which suggests that blacks are required to have more educational attainment or more stringent educational requirements placed upon blacks than on whites.

We believe that the labor pool consists of what we call qualifiable persons and qualifiable means people who have the necessary prerequisites to take on the job training. For officials' and managers' jobs,

for example, the median education of all officials and managers is slightly less than, say, 13 years of education.

There is a sufficient pool of blacks in this country who have that level of education who could be trained as officials and managers.

We talk about professionals as having college degrees. There are a sufficient number of blacks in this country with college degrees who could be upgraded in terms of their employment. Many of the blacks, college degreed persons, are underemployed or underutilized.

And in no way am I suggesting that the employment gaps in, say, the professional category would mean that in all of some 10,000 or 12,000 occupations, you would find a parity of blacks in each of those occupations. But if you collapse those occupations into the broad job category of professionals and technical workers such as we do at the Commission and in the Bureau of Labor Statistics, certainly within 10,000 or 12,000 job titles, there is a sufficient number of blacks to go into those, until blacks would achieve a fair share of employment. And until blacks achieve their fair share of employment, until blacks are employed at wages equal to those of whites, we will not see any change in this employment gap and lost wages to the black workers and income to the black community.

Thank you, Congressman Mitchell.

Representative MITCHELL. It is very depressing, but it was very excellent testimony. We do have some questions for you.

Mr. Perlo, I thank you for taking time out of your busy schedule for being here. I thank you for the illuminating work you have done in this very troublesome area.

STATEMENT OF VICTOR PERLO, PROFESSOR, NEW SCHOOL FOR SOCIAL RESEARCH, NEW YORK, N.Y.

Mr. PERLO. Thank you for the kind remarks.

And ladies and gentlemen, you know there are two items in this morning's Times which illustrate our theme very dramatically. The first is that 85 establishments in Chinatown in New York have been convicted or prosecuted for violating most elementary labor laws, including child labor, miminum wage, et cetera; of course, with all nonwhite workers.

The second is that in Atlantic City, where there is a great casino boom, and where the population is 50 percent black and Hispanic, the casino commission instructed the industry to employ 20 percent black and Hispanic. The casino industry and its contractors have fallen far below that, with the result that the unemployment rate in Atlantic City is now 13 percent—one of the highest in the Nation, despite this tremendous boom.

That illustrates one of the reasons the economic gaps between whites and blacks have widened significantly during the 1970's, as the overall situation of black people has deteriorated sharply. The Hispanic groups have also suffered relative losses.

This general decline has occurred despite gains by a small section of the black population in managerial, professional, and technical employment, to which Mr. Humphrey referred.

Since blacks overwhelmingly are wage and salary workers, the deterioration in their economic situation has contributed to substantial losses endured by U.S. labor as a whole during this decade. These

losses have been a decisive factor in the unhealthy overall economic situation in the country.

Common official and media treatment of black losses tends to blame the victims. But the real causes flow from the persistent pattern of social and economic discrimination on account of race. Affirmative action programs, including definite preferences, are essential to correct this situation and would benefit the entire economy.

And I may say, the policy affirmed before this committee 2 days ago of dealing with inflation by requiring a further decline in the living standards of the U.S. working people, which poses an especial threat to the black segment of the population, has to be defeated and reversed.

Between 1970 and 1977 the percentage of black to white median family income declined by 4 points, from 61.3 to 57.1. The decline was especially severe in the North and West, as shown in my chart I of my prepared statement, copies of which are over there.

Here is the chart, but you can't see it from a distance.

Black families lost ground; and not only relative to whites, but also in real income. Their real income declined 4.6 percent, while that of white families gained slightly. The real incomes of black families in the North and West declined between 15 and 20 percent, really a calamitous record. And that is illustrated in chart II of my prepared statement.

As many as 40 percent of the black population of the United States are living in poverty, depending on the definition one uses.

The unemployment situation of blacks is also worsening, relatively and absolutely. During this decade the unemployment rate for blacks increased 5 percentage points, as against 2 points for whites. Black unemployment is now 2¼ times the white unemployment rate. In addition to the unemployment among black teenagers, estimated by the National Urban League at 57 percent, there is heavy black unemployment well into the prime adult working years.

What are the causes of white-black income differentials? The generic factor of racial discrimination is common to all of them, but here are the major specific causes.

First, greater loss of income through unemployment.

Second, lesser access of blacks to income other than from jobs; that is, property income and transfer payments. White families average eight times as much property income as blacks. And contrary to the common view, white families average more transfer income; a fact worthy of note when confronted with comments about welfare loafers.

Third, lesser access of blacks to better, higher paying jobs. The employment pattern of blacks, while improved in broad outline, is still badly skewed toward the lower end of the scale, with something like a 6-to-1 distortion of the average pattern for male workers.

Fourth, the most serious source of differential in income is a factor of lower pay for the same or similar work. Among all male workers with full-time jobs in 1977, blacks averaged 31 percent less than whites. But within each major occupation group, blacks earn much less than white males—in most cases, 20 to 25 percent less.

That is illustrated in chart III of my prepared statement. And it indicates that when the broad equality projected by Mr. Humphrey is realized, there will still be some way to go within each of the major occupation groups, unless that is done simultaneously.

From these figures it appears that one-third of the difference in earnings of black males is due to a less favorable broad job distribution, and about two-thirds to getting lower pay in the same broad job category.

The differentials among women are small, because women's wages generally are so low that they cannot be forced much lower for black women. That is why employers are more ready to hire black women then black men.

There are many ways in which economic differentials against blacks are blamed on the black people themselves. Much is attributed to a lack of education, to a lack of educational orientation on the part of blacks. But now, as formerly, blacks at a given level of education fare much worse than whites at the same level.

Nor are blacks to blame for the segregated schools and the tracking patterns which limit the degree and effectiveness of education available to most of them.

Another allegation focuses on the higher proportion of black families headed by women; which does not explain why black families headed by women have incomes 37 percent below those of white families headed by women.

And then there are the overtly racist explanations such as those of Professors Banfield and Shockley.

I want to talk about the explanation given much publicity this year for black youth unemployment—blacks in general, and black youth in particular, are less productive than whites and are unemployed because of minimum wage laws that prevent employers from paying them as little as they should get.

Just this month, Reader's Digest broadly advertised in full-page ads an article directly blaming black youth unemployment on the minimum wage increase that went into effect in 1978. The same point was emphasized in the Wall Street Journal feature earlier this year. There must be tens of millions of people reading this particular propaganda.

Reader's Digest begins with an account of a black teenager who applies for a job as a dishwasher in a restaurant. The owner turns him down with the statement, "I would like to help, but I can't afford you kids anymore."

The author, Williams, like the Wall Street Journal writer before him, stresses self-serving stories by restaurant owners about how they had to reduce employment because of the higher minimum wages. Of course, Williams, who didn't even bother to find out the correct figures about the new minimum wage which went into effect on January 1, 1978, also didn't check the facts to see what restaurant owners really did.

There was a substantial increase in the minimum wage at that time, 15 percent. But what was the result? Employment in restaurants, as reported by the Bureau of Labor Statistics, increased by 400,000 workers in 1978, or by 10½ percent, the largest numerical increase on record. And apparently teenage employment increased more than that of older workers.

Thus, this propaganda is nothing but another part of the ongoing campaign to get congressional approval for slashing young people's wages below the minimum.

It should be noted that during the 1970's when black economic circumstances deteriorated, the effective level of the minimum wage had declined from 55 percent of the averge factory wage to 45 percent. So the truth is the opposite of that claim. The inadequacy and incomplete coverage of the minimum wage is actually a significant cause of black poverty and unemployment.

Black unemployment and poverty are also connected with the widespread propaganda of low productivity given so much official emphasis this year. It is discussed in guarded language in the 1979 Economic Report of the President's Council of Economic Advisers.

But the matter is put more bluntly by New York Times journalist Jerry Flint, following an interview he had with the Council's Chairman Charles L. Schultze. Flint includes among reasons for low productivity, "Equal opportunity rules that mean the firing of the less efficient, the less educated, and the less skilled to promote equality among races and sexes."

Now, I consider this a gross slander against minorities and women. The trouble is not that equal opportunity rules result in hiring inferior workers, but that equal opportunity rules are ignored or evaded.

The whole campaign about declining productivity is based on erroneous figures issued by the Bureau of Labor Statistics. I have exposed the error in its method and results in a series of articles, including one that has been reprinted in the Congressional Record. Suffice it to say here that the BLS itself concedes ongoing big increases in manufacturing and most other basic industries for which physical measures of productivity are practical.

The propaganda about declining productivity is used to justify opposition to attempts by labor to keep up with spiraling living costs and to stop the deterioration in public services.

Now, let me repeat the central theme of this discussion.

However one analyzes the components that lead to the economic gulf which separates most blacks from whites, the decisive common ingredient is racial discrimination, gross and pervasive. There is a mounting counterattack against the civil rights laws, unenforced as they are, raising the false cry of reverse discrimination.

The decline in real incomes and worsening unemployment situation among minorities tend to drag down the situation of all working people, including whites. The real spendable earnings of employed workers in the private economy have declined, by official figures, 9 percent in the last 7 years; a decline unmatched in this century, even during the Great Depression of the 1930's.

Using census data I estimate that in 1977 the black population lost $70 billion in income due to economic differentials against them. I think the main reason that the estimate is so much higher than the others is that I am covering the entire comparative income of blacks and whites, not just the direct worker-by-worker wage comparison.

Another $35 billion was lost by other minorities, making a total loss of $105 billion. That is 50-percent more than the corresponding estimate I made earlier for 1972.

Assuming the same rate of increase continued, the loss for 1979 comes to $123 billion; and further large losses result from the pulling down of white workers' incomes due to the existence of racial differentials.

This, and not declining productivity of labor, is a major cause of the slack economy and the projection of slower growth still to come.

But, of course, one of the motives for the wage differentials which account for so much of the loss of incomes by blacks is the extra profit which employers get by employing minorities at substandard wages.

In short, no small part of the $123 billion is realized, as additional profit. The rapid upward trend in corporate profits and in capital investment indicates that the supposed need for more profits is not the solution.

A more relevant requirement is the increase in real mass purchasing power. And nothing will accomplish this more decisively than a rapid reduction of the gross differentials in purchasing power afflicting 45 million black and other minority peoples.

It is clear that negative proscriptions against discrimination embodied in existing legislation have proven insufficient. Positive preferences in employment and promotion of blacks—including, where necessary, quotas—are essential to correct a centuries old pattern of discrimination, and will benefit, not be at the expense of, the white population as well.

Two days ago this committee was told by Mr. Volcker that the average American must absorb a lower standard of living through lower real wages and more unemployment. This policy hits blacks in three ways: They are most afflicted by inflation, they are least able to compensate with higher wages, and they are first to be fired.

The Volcker policy for dealing with inflation, dealing with the negative balance of payment, is not only in errant disregard of the human rights of the American people. It is, on one viewpoint, economic alchemy, not science. It is like the medieval practice of treating disease by bleeding the patient. It seeks to cure supposedly inadequate productivity by slashing production. It sacrifices $300 billion of national income in a probably futile attempt to right a $30 billion deficit in the balance of payments.

But from another viewpoint, it is a class solution which will do nothing to interfere with the freedom of big capital to profiteer from the Nation's problem, which slashes the average American's standard of living so that the 5 percent at the top can get richer than ever; so that the priority of guns over butter can be carried still further toward the brink of nuclear catastrophe.

Such austerity programs have failed in country after country, and they will fail here also.

Inflation can only be stopped, in my opinion, by the direct freezing of prices, among other things, and the balance of payments controlled only by direct control over capital flows and other destabilizing activities; just as racist economic discrimination can be ended only by direct affirmative action.

Thank you very much for your attention.

Representative MITCHELL. Thank you for a very, very comprehensive and significant piece of testimony.

[The prepared statement of Mr. Perlo follows:]

PREPARED STATEMENT OF VICTOR PERLO

Widening Economic Differentials by Race—Facts and Causes

The economic gaps between white and black people have significantly widened during the 1970s, as the overall economic situation of blacks has deteriorated sharply. While less clear-cut, there have also, apparently, been relative losses on the part of the principal Spanish-origin groups. The overall deterioration in the black economic situation has taken place despite gains by a relatively small section

of the black population, notably in managerial, professional and technical employment.

Since blacks, overwhelmingly, are wage and salary workers, the deterioration in their economic situation has contributed to substantial losses in real wages and share of production on the part of U.S. labor as a whole during this decade. The special losses of blacks and the related losses of workers as a whole contribute to weaknesses and dangers in the U.S. economy.

The common official and media treatment of black losses tends to ascribe such losses to causes which boil down to the formula of "blaming the victim." Analysis refutes these supposed causes and relates them to the entire pattern of social and economic discrimination on account of race.

Affirmative action programs, including definite preferences, especially in employment but also in access to and desegregation of housing, education, and related social services, are essential to correct this situation and would be of considerable benefit to the entire national economy.

DETERIORATION IN BLACK FAMILY INCOME

Between 1945 and 1965 the ratio of black to white median family income fluctuated in the range of 50-55 percent. There was then a period of improvement, following the Civil Rights legislation of 1964-65 and the mass struggles of the period. The ratio of black to white median family income peaked at 61.3 percent in 1970. Since then it has declined. The sharpest drop, in 1977—the latest year for which we have records—carried the ratio down to 57.1 percent. [1]

The situation is more serious when we examine the regional picture. It turns out that the relative gains of blacks during the 1960s were concentrated in the South. But during the 1970s, there were sharp declines in the relative situation of blacks in the rest of the country, while there were no further gains in the South.

While there was a tendency toward equalization in discrimination by improvements in the South during the 1960s, the tendency to equalization continued in the 1970s through a worsening of the situation in the rest of the country.

By 1977, the relative situation of blacks in the North and the West was substantially worse than it was in 1959, prior to the Civil Rights struggles and legislation of the 1960s. In the Northeast, the ratio of black to white median family income declined from 69 percent in 1959 and 71 percent in 1970 to 59 percent in 1977, a loss of 12 percentage points during the decade and 10 percentage points in two decades.

In the North Central states, the ratio of black to white median family income declined from 74 percent in 1959 and 73 percent in 1970 to 62 percent in 1977, losses of 12 percent and 11 percent respectively from the two earlier periods.

In the West, where there were significant gains by black families during the 1960s, the ratio of black to white median family income, after rising from 67 percent to 77 percent between 1959 and 1970, plunged to 58 percent in 1977, a loss of 19 percentage points in only seven years and a net loss of 9 percentage points over the entire period.

In the South, the ratio of black to white median family income, after rising from 46 percent in 1959 to 57 percent in 1970, remained at 57 percent in 1977. [2]

Thus, by 1977 the ratio of black to white median family income was only from 1 to 5 percentage points better in the rest of the country than in the South. (See Chart I.)

During the 1960s, black families shared in the general gains in real family income. However, during the 1970s, while white gains in real family income slowed markedly, black real family incomes declined—and, in some parts of the country, drastically. We measure the change from 1969 to 1977 because 1969 was a comparable year in the economic cycle while 1970 was a recession year.

Between 1969 and 1977, the median real income of black families nationally declined 4.6 percent in contrast to a gain in median real income of white families of 3.4 percent.

In the South, the median real income of black families increased 10.7 percent, a bit more than the 8.5 percent gain of white families. But elsewhere, median real incomes of black families declined drastically: 15.0 percent in the Northeast; 16.7 percent in the North Central region; and 18.7 percent in the West. (See Chart II.) Significantly, half of the black loss in the West was concentrated in the one year, 1977, the year of the Bakke decision in California which was taken by many as a green light for discriminatory practices.

During the same interval, gains of median white family income were 2.0 percent in the Northeast; 2.3 percent in the North Central states; and 0.8 percent in the West. [3]

In appraising the relative position of black and white families, a series of factors makes the real situation worse than indicated by the statistics cited. [A] Thus, with a reported ratio of black to white median family incomes of 57 percent in 1977, the effective real per capita income ratio, I estimate, was in the area of only 50 percent.

Corresponding to the worsening of the black family income situation, there was no easing of the burden of poverty on the black population. Between 1969 and 1977, the number of black people falling below the poverty line increased from 7.1 to 7.7 million, in contrast to a small decline in the number of whites in that category. Moreover, there was a sharp rise in the poverty percentage among blacks living in central cities, from 24.3 percent in 1969 to 31.2 percent in 1977.[4] By 1977, more than 10 million blacks, or 41.0 percent of the black population, were below 125 percent of the poverty level, a more realistic statistic of poverty and deprivation. [5]

WORSENING UNEMPLOYMENT SITUATION

In 1969, the unemployment rate among "black and other" workers was 6.9 percent. In 1978, a similar year in the business cycle, it had jumped to 11.9 percent up 5 percentage points. Meanwhile the unemployment rate among whites increased more modestly, from 3.1 percent to 5.2 percent. The unemployment rate among black workers alone reached 12.6 percent in 1978, or 2.4 times the rate for white workers. [6]

In the early post-World War II years, the black unemployment rate was approximately 1.7 times the white unemployment rate. Thereafter, through the 1960s, it was close to double the white unemployment rate. The jump to nearly two and a half times the white unemployment rate indicates a worsening differential in the employment situation.

Much attention is paid to the terrible and worsening unemployment situation among black youth. A Wall Street Journal headline reads: "Through Good Times and Bad, Joblessness Among Young Blacks Keeps Right on Rising." [7]

The percentage of unemployment among black teenagers in 1978 was 38.7 percent, slightly less than the peak reached in 1977 but nearly three times the corresponding rate for white teenagers. Black unemployment remained shockingly high well into the prime working years: 21.7 percent among those aged 20–24 and 10.7 percent among those in the 25–34 age group. The black youth unemployment rate has worsened especially during the 1970s. [8]

Official unemployment figures for blacks, according to estimates of the National Urban League and others, are about half the realistic unemployment rates when account is taken of "discouraged workers," those involuntarily on part time, and those not counted in the labor force for a variety of reasons but actually unemployed.

Striking evidence of the disproportionate omission of blacks from labor force statistics is provided by official labor force participation rates. Among white males, the labor force participation rate declined only slightly, from 80.7 percent in 1967 to 79.1 percent in 1978. But among black males, the decline was sharp, from 78.5 percent in 1967 to 73.3 percent in 1978. Among black males alone, the labor force participation rate was 71.5 percent in 1978. [9] (Comparable figures not available for 1967.)

The declining reported labor force participation rate among black males was a continuation of a trend in effect before 1976. Considering that among black males there are a smaller proportion in college, a smaller proportion above the retirement age, and a smaller proportion who can afford to live on their income without working, one should expect that the proportion of black males in the labor force would be higher than that of white males. This, indeed, was the case prior to World War II.

The decline in reported labor force participation masks a real increase in unemployment. The National Urban League estimates the total unemployment rate among blacks, including "hidden" unemployment, at 23.1 percent in 1978, including a rate of 57 percent among black youth. [10] The National Urban League calculations refer to blacks and "other." The figures for blacks alone would be higher.

CAUSES OF WHITE/BLACK INCOME DIFFERENTIALS

This section lists specific factors resulting in the wide income differentials between white and black families, as distinct from the generic factor of racial discrimination, which is common to all of them. The factors are discussed in approximate ascending order of importance.

1. Greater loss of income by blacks through unemployment. That this is a significant factor is evident from the prior discussion.

2. Lesser access of blacks to income other than from working—i.e., property income and transfer payments. In 1977, a white family, on the average, received eight times more property income and moderately more in transfer payments than the average received by a black family. From these two sources combined, the white families received, on the average, $2,916, or half again more than black families who received, on the average, $1,999. [11] The real differential in this respect is wider than indicated because less than half of the main forms of property income are covered by the Census Bureau reports, and some types are omitted by definition. [12]

3. Lesser access of blacks to better, higher paying jobs. The employment pattern of blacks has improved somewhat, but remains sharply skewed downward as compared with whites. Thus, in 1978, among employed whites, 11.4 percent were in administrative and managerial positions, at one end of the scale, and another 11.4 percent in service occupations, other than private household, at the other end of the scale. But among "black and other" workers, only 4.8 percent were in managerial and administrative positions and 20.5 percent, more than four times as many, at the lower end service occupations, other than private household. [13]

Unfortunately the Labor Department statistics do not give the occupational figures for blacks alone. This is extremely important, as a very high proportion of Asian Americans are employed in professional, managerial and other jobs at the upper end of the rostrum, so that the catchall category of "Blacks and other" hides the very low percentages of blacks in these occupations.

Thus, while the Bureau of Labor Statistics reports that 9.7 percent of all physicians in 1978 were "black and other," a National Urban League analysis shows that, even if all blacks currently in medical school finish, the proportion of blacks among doctors could not exceed 3 percent by 1982. [14]

4. Lower pay for the same or similar work. Among employed male workers in 1977, blacks averaged 35 percent lower earnings than whites. However, among those employed full-time, year-round, blacks averaged 31 percent less than the similar group of white males. The 4 percentage point difference between these two figures indicates the greater impact of periods of unemployment and/or part-time work on blacks who have at one time had a job.

Obviously part of the remaining 31 percent differential is due to blacks having less favorable job opportunities. To check the residual differential, due to lower pay for the same or similar work, we compare average earnings of full-time workers in the same occupation group.

Among professional and technical workers, blacks averaged 23 percent less than whites; among managers, 28 percent less; clerical workers, 21 percent less; craftsmen, 21 percent less; operatives, other than in transport, 7 percent less; among transport operatives, 22 percent less; laborers, 21 percent less; and service workers, 25 percent less. [15] [B] (See Chart III.)

Thus, with one exception, black males earned between 20 percent and 30 percent less than white males in the same occupation group. Comparing this with the 31 percent differential for all full-time male workers, it indicates that about two-thirds of the overall difference is due to lower pay to blacks for the same or similar work.

Of course, there are differences in occupational skill within each group. However, while within some of these groups blacks may be concentrated in lower-paying jobs, it does not follow that these are less productive jobs or jobs requiring less skill. A check against Census figures for 1969 shows a similar range of differentials between black and white male earnings, by occupation group; and for individual occupations within the groups. [16]

The differentials in earnings between white and black women workers had been substantially reduced by 1977, amounting overall to only 5 percent for full-time year-round workers. Within occupation groups, earnings of black women workers were close to those of white women, with the widest differential being 7 percent among operatives. However, this appears to reflect the fact that women's wages in general have been pushed so low that they can't be forced much lower for black women. And black women are hired relatively more readily than black men because so many black women desperately need jobs, even at the outrageously low wages offered.

The gap between wages of men and women full-time workers by 1977 had widened to 44 percent, up from 41 percent in 1970, and there were similarly wide differentials in almost all occupation groups. [17]

The basic argument used to justify excessive unemployment, poorer jobs and lower earnings is that blacks are less productive, less reliable, less skilled and more poorly educated. In short, the argument implies that the differentials are fully justified, are the fault of the blacks themselves. No significant solution is suggested.

The question is discussed in guarded language in the Economic Report of the President for 1979, which expresses pessimism over the possibility of significantly reducing unemployment among "minorities, teenagers and women." [18]

However, the matter was put more bluntly in a New York Times article following an interview by the journalist, Jerry Flint, with Charles L. Schultze, chairman of the Council of Economic Advisers. In explaining "low productivity," Mr. Flint includes, among other reasons:

"Equal-opportunity rules that mean the hiring of the less efficient, the less educated and the less skilled to promote equality among races and sexes," as well as a generalized attack on the work ability of young people, combined with standard anti-labor complaints of "a decline in the work ethic" and "featherbedding." [19]

Mr. Flint provides no evidence to back up his assertion that blacks are less productive than whites, women than men, on the same job. Indeed, there is overwhelming evidence that blacks have to demonstrate superior qualifications to obtain the same job that whites hold.

Recently much publicity has been given to the charge that allegedly excessive minimum wages are responsible for high youth unemployment, expecially among black youth. This is associated with attmpts to persuade Congress to enact exceptions for young workers from minimum wage protection, and by employers to persuade unions to accept lower-than-normal wages for starting workers.

Thus, it is implied, if only blacks would accept extra low wages—even wider differentials than at present—their unemployment problems would be solved, or eased. This argument is racist in its very essence, because it assumes that blacks deserve lower wages than whites. And it is demonstrable that minimum wages are in no way responsible for the worsening relative income and unemployment situation of blacks. The worsening unemployment situation of blacks in general, and of black youth in particular, has been a phenomenon of the entire post-war period, speeding up in the 1970s, while the worsening income situation has pertained to the 1970s. Hence, if the argument were valid, it would imply that the level of minimum wages, relative to wages in general has been increasing, especially during the 1970s.

The opposite is the case. In 1950 the minimum wage was 54 percent of the average factory wage, and in 1968 it was still 54 percent. But by 1974 the minimum wage was down to 46 percent of the average factory wage, and by January 1978 and January 1979, to 44 percent and 45 percent respectively. [20]

Hence, if the minimum wage were a true barrier, the employment situation of blacks should have improved during the 1970s, when the relative impact of the minimum wage declined. But the opposite occurred. Beginning in 1967 new groups of workers were covered by minimum wage laws, and their minimum wages went up more rapidly than those of workers covered earlier. These additions were overwhelmingly in retail trade and services, exactly the industry groups where employment has increased most rapidly since 1966.

Between 1966 and 1978, wage and salary employment in retail trade and services increased 57.4 percent as compared with only 17.8 percent in all other private non-agricultural industries. [21] Thus, if in fact the minimum wage were a prime inhibitor of employment, there would have been a particularly slow growth or even a decline in employment in these lower-wage industries, rather than an especially fast increase.

Here's an outstandingly inaccurate, and, one may say, vulgar example of the argument. It is featured in a widely advertised article in the October 1979 Reader's Digest written by economics professor Walter E. Williams. He argues, in effect, that minimum wage laws cause black unemployment because they make it impossible to hire black youth for what they are really worth—ostensibly far less than what white youth are worth. The opening paragraph makes the point:

"A black teen-ager applied for a job at a carwash . . . the black owner shook his head. 'I'd like to help,' he said, 'but I can't afford you kids anymore.'"

Here is other "evidence" presented by Williams:

"Following the minimum-wage increase to $2.90 per hour in January 1978, the National Restaurant Association surveyed 2,000 member businesses and found that, as a result of the new wage, 78 percent reduced worker hours, 63 percent laid off workers, and more than 50 percent resorted to the use of mechanical devices

as a substitute of labor. What these statistics do not show are the numbers of minority young people who hoped to get jobs at those restaurants—as busboy, waitress, dishwasher—that would have started them on their way." [22]

Of course, the self-serving answer of members of the Restaurant Association, who opposed the minimum wage increase, have no reliability whatsoever. I need not characterize the characterization of a dead-end busboy job as the route to upward mobility!

Similarly, Alfred L. Malabre Jr. presents tales in the Wall Street Journal of restaurant owners and managers who say they no longer hire teenagers because of higher minimum wages, in the aforementioned story of the steady rise in black youth unemployment. [23]

But the facts refute these tales. It is true that there was an unusually sharp increase in the minimum wage in 1978, from $2.30 to $2.65, the first increase in two years. The increase to $2.90 did not go into effect until January 1979. But how did the restaurant owners react, in reality, to this?

They increased employment in 1978 by a record 400,000, or 10.5 percent, and increased total man-hours of employment more than 9 percent. The rate of increase in employment slowed down in 1979 as the growth of the economy slowed and ground to a halt, but remained substantial—6.8 percent in January and in June, in comparison with the year-earlier months. [24]

Moreover, the available evidence is that the proportion of teenagers increased. Between 1977 and 1978, total employment of food service workers increased 4.6 percent, while employment of teenage food service workers increased 6.2 percent. [25]

However, there has been a decline in the proportion of service jobs in general, and food service jobs in particular, occupied by blacks between 1970 and 1978. [26] Bearing in mind that the black population has been increasing more rapidly than the white, and especially the population of black youth, and that this is a field where admittedly blacks have been traditionally considered to be qualified, this shows a remarkable increase in discrimination against blacks.

This justification of black unemployment, and attack on their already low wages, is connected with the overall official claim of stagnant productivity and, during 1979, of declining productivity in the U.S. economy.

While advanced from the highest official sources, and repeated in all the media, the relevant statistics, provided by the Bureau of Labor Statistics, are wildly inaccurate and totally misleading. When measuring productivity for individual industries, the BLS correctly relates the physical volume of production to man-hours of labor. But, however, in attempting to measure productivity for the entire private economy, the BLS relates the "real" GNP to man-hours.

This method, in effect, results in a measure of production that is heavily influenced by the amount of wages and salaries that are paid, and hence a measure of productivity heavily influenced by the course of real wages and salaries. But, according to the figures of the BLS itself, the trend of real wages and salaries has been stagnant or downward since 1972, and rapidly downward in 1979. An objective measure of productivity in manufacturing, relating the Federal Reserve Board index of the physical volume of manufacturing production to the number of man-hours of production workers, shows a steady growth of 3.3 percent per year, continuing through the first half of 1979. [27]

Similar calculations show substantial increases in productivity in 1978 in mining, railroads, trucking, air transport, telephone communications and specified financial industries.

The BLS itself, in a recent release, showed similar increases in 1978 in all industries other than retail food stores and restaurants, where productivity declined, supposedly, 4 percent. [27] However, there was no realistic attempt to measure productivity changes in these industries. Since trade, finance and services account for more than half of all private employment, fictitious productivity declines calculated for these industries are used to present a picture of overall declining productivity.

Both Fortune and Chase Econometrics express skepticism concerning the alleged decline in productivity. Fortune notes that "profits have been surprisingly immune to the weakness in productivity so far in 1979," and attributes this to the acknowledged increase in productivity in manufacturing, "where corporations predominate, while the declines have been in services, dominated by small firms where productivity calculations are based on a necessarily imperfect sample." [28]

Certainly education is a factor, but to obtain an education, no matter at what cost, for a black, is no guarantee of equality. In 1977, black elementary school graduates had family incomes 27 percent below those of families of white elementary school graduates; for families of high school graduates, the differential was 34 percent; and for college graduates, 26 percent. [33]

Clearly, more powerful factors are at work.

It is a fact that some unions contribute toward economic discrimination against blacks. But on the whole, the unions have been a positive force for reducing discrimination, and in unionized establishments wage differentials are, on the average, only half as severe as in non-union shops. [34]

The fact remains that overwhelmingly, decisions on hiring and promotion are made by employers. Regardless of the variation in detail, on balance they obviously discriminate against blacks, especially, and against other minorities. Similarly, landlords, real estate and insurance companies, and bankers are mainly responsible for the circumstances that blacks are crowded into central cities and have limited access to the places where jobs are increasingly located.

School boards and administrators are responsible for aggravating housing segregation in school systems, and for tracking programs that make it difficult for blacks to obtain better jobs or, often, any job at all.

Employers, landlords, real estate and insurance companies and bankers are overwhelmingly white, and black people in these categories are few and weak financially. Fifteen years of experience under Civil Rights legislation, with a deteriorating black economic situation, demonstrates that deep-rooted racial discrimination on the part of those who have economic power remains essentially intact and is the basic cause that must be confronted.

ECONOMIC CONSEQUENCES OF WIDENING DIFFERENTIALS

Naturally the declining real incomes and worsening unemployment situation of black working people tend to drag down the economic situation of all working people, including white workers.

The real spendable weekly earnings of workers in the private economy (with three dependents), declined from a peak of $96.64 in 1972 to $92.50 in 1978 and to $88.35 in August 1979 (all expressed in 1977 dollars), a decline of 8.6 percent in seven years. [29] Real spendable earnings are now lower than in any year since 1963. There has been no such decline in this century, even during the great depression of the 1930s. [30]

The loss in mass purchasing power owing to economic discrimination against blacks is enormous. The per capita income of blacks in 1977—$3,513—was $2,699 less than the per capita income of white, non-Hispanic people in that same year. Multiplying that differential by the 24.7 million blacks yields a total loss of income of $66.8 billion. [31] Adding 5 percent to allow for the undercounting of the black population raises the loss to $70 billion. On a rough estimate, 50 percent can be added to that for the loss of income due to differentials against other minority peoples, bringing the total to $105 billion. A corresponding estimate for 1972 was $70 billion. [32] Assuming the same rate of increase in the succeeding two years, a conservative assumption in view of the high rate of inflation, the corresponding loss of mass purchasing power in 1979 comes to approximately $123 billion.

Further large losses result from the pulling down of white workers' wages and salaries by the existence of the wide racial differentials.

The declining trend in real wages, the widening racial differentials, and not the falsely alleged decline in productivity, are the prime underlying causes of the slack economy, of the slow economic growth and of the projection of still slower economic growth in the 1980s. True, all the official and media emphasis is on the supposed need for more corporate profits and capital investment to overcome stagflation. But I would argue that the facts cited herein demonstrate that a more relevant requirement is the increase in real mass purchasing power, and especially the rapid reduction in the gross differentials in purchasing power afflicting the 40–45 million black and other minority peoples in the United States.

THE NEED FOR AFFIRMATIVE ACTION

It is clear that the negative proscription against discrimination, embodied in the main Civil Rights legislation of the 1960s, has proven incapable of ending discrimination or of seriously reducing it. During this decade there has been growing recognition that affirmative action is required to improve the situation, and this is recognized, in a limited and ambiguous fashion, in the Equal Employment Opportunity Act of 1972.

However, in recent years there has been a mounting campaign against affirmative action, and little has been done.

This country has very many forms of preferences, including quotas, affecting persons, groups and business enterprises. There are veterans preferences, preferences for children of alumni of colleges, preferences for relatives of company owners, immigration quotas, import quotas, and many others. By the logic of those

who oppose affirmative action, each of these existing preferences is "reverse discrimination" against all others.

Preferences for employment and promotion of blacks are needed to correct a generations-old pattern of discrimination, to right a gross injustice—not to create a new injustice.

In this connection, the International Convention on the Elimination of all Forms of Racial Discrimination, which has been signed and ratified by most of the leading countries and has been put into effect by the United Nations, is distinctly relevant. It says, among other things:

"States parties shall, when the circumstances so warrant, take, in the social, economic, cultural and other fields, special and concrete measures to ensure the adequate development and protection of certain racial groups or individuals belonging to them, for the purpose of guaranteeing them the full and equal enjoyment of human rights and fundamental freedoms . . . .

"Special measures taken for the sole purpose of securing adequate advancement of certain racial or ethnic groups or individuals requiring such protection as may be necessary in order to ensure such groups of individuals equal enjoyment or exercise of human rights and fundamental freedoms shall not be deemed racial discrimination, provided, however, that such measures do not, as a consequence, lead to the maintenance of separate rights for diffierent racial groups and that they shall not be continued after the objectives for which they were taken have been achieved." [35]

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7. *Wall Street Journal*, February 1, 1979, p. 42.
8. *E&E*, January 1979, T. 5, p. 160.
9. *HLS*, T. 4, pp. 30–31; *E&E*, January 1979, T. 4, p. 158, T. 5, p. 160.
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11. P. 60, No. 118, T. 30, pp. 118–119.
12. P. 60, No. 118, T. A–4, p. 275.
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14. *E&E*, January 1979, T. 23, p. 172; *State of Black America, 1979*, p. 143.
15. P. 60, No. 118, T. 53, p. 224.
16. *Economics of Racism*, pp. 85–88.
17. P. 60, No. 118, T. 53, p. 224; *Statistical Abstract of the United States, 1978*, (Stat. Ab.) T. 752, p. 464.
18. *Economic Report of the President, 1979*, pp. 117–122.
19. *The New York Times*, January 27, 1979.
20. *Stat. Ab.*, T. 689, p. 425; *E&E*, March 1979, T. C–2, p. 90.
21. U.S. Department of Commerce, *Business Statistics*, 1977, pp. 70, 75; *E&E*, March 1979, T. B–1, p. 57.
22. *Readers Digest*, October 1979, pp. 21, 22.
23. *Wall Street Journal*, February 1, 1979, p. 42.
24. *E&E*, March 1978, T.B–2, p. 68; *E&E*, March 1979, T.B–2, p. 64; *E&E*, August 1979, T.B–2, p. 58.
25. *E&E*, January 1979, T. 21, P. 170.
26. *1970 Census of Population*, T. 91, p. 392: *E&E*, January 1979, T. 23, p. 172.
27. V. Perlo in *Daily World*, 2/19, 8/2, 8/9, 9/13 1979.
28. *Fortune*, August 27, 1979, pp. 9, 10.
29. *Business Statistics*, 1977, p. 85; *Business Week*, October 8, 1979, p. 2.
30. *Business Statistics*, 1977, p. 85; *Historical Statistics of the United States, Colonial Times to 1970*, Series D 725, p. 164.
31. P. 60, No. 118, T. 22, pp. 89–91, T. 27, p. 105.

32. *Economics of Racism*, p. 151.
33. P. 60, No. 118, T. 29, pp. 117, 118.
34. *Economics of Racism*, PP. 197–214.
35. United Nations, International Convention on the Elimination of All Forms of Racial Discrimination, pp. 3, 4.

NOTES

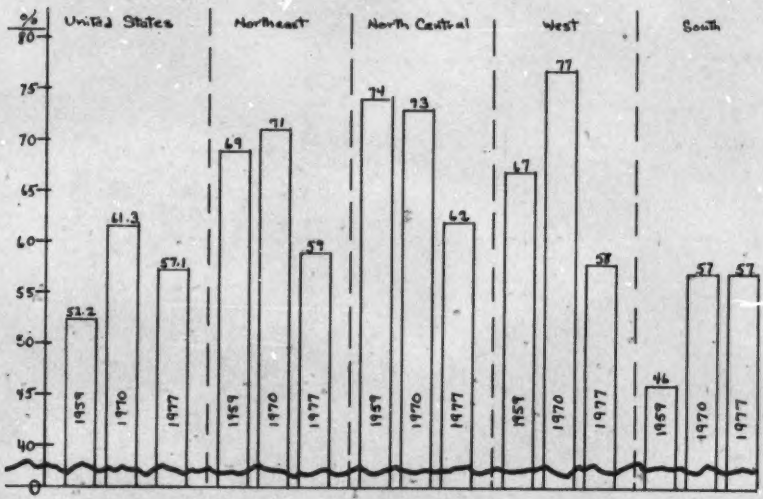
A. Black families are generally larger than white. Significantly more white family income is of types wholly or partly uncounted in Census Bureau surveys. Blacks generally pay more for goods of equal quality. Statistics for whites are pulled down by inclusion of almost all Hispanic people, who in fact are subject to adverse economic differentials nearly as wide as black people. In the other direction, the tax burden on black people is not significantly lower than that of white people.

B. Figures are not provided for black male full-time sales workers. Among all male sales workers, median earnings of blacks were 55 percent less than median earnings of whites.

CHART I

PERCENTAGE OF BLACK TO WHITE MEDIAN FAMILY INCOME, U.S. AND REGIONS

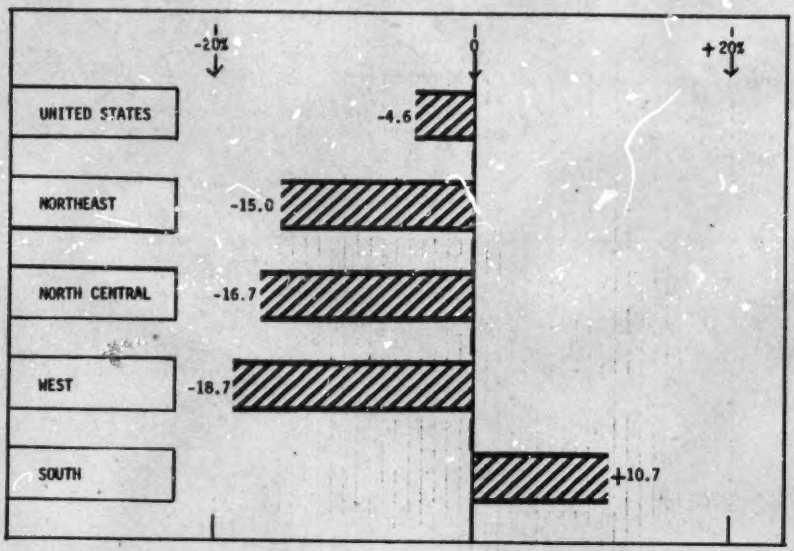
1959, 1970 and 1977



Source: U.S. Census Bureau publications

CHART II

PERCENTAGE CHANGE IN BLACK MEDIAN FAMILY INCOME, U.S. AND REGIONS
1969-1978

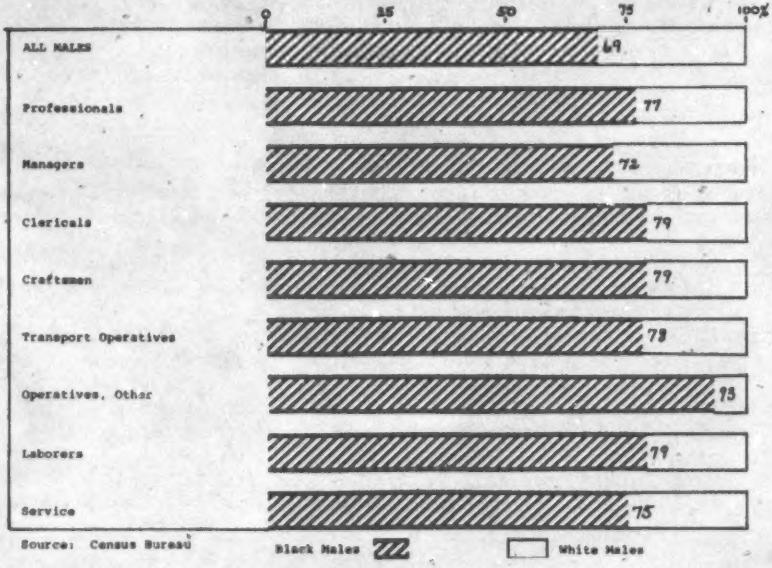


Source: U.S. Census Bureau

CHART III

PERCENT BLACK MALE WORKERS' EARNINGS OF WHITE MALE WORKERS' EARNINGS BY OCCUPATION GROUP

FULL-TIME, YEAR-ROUND WORKERS, 1977



Representative MITCHELL. Mr. Perlo, I will just go back and forth with a half dozen questions that I have in mind, or that I have scribbled down.

I think most economists would now agree that we are in some form of a recession. Whether it is the first stage or the second stage or preliminary stage, I don't know. But there is the general consensus that right now we are in some form of a recession.

There is a theory that says when we move into a recession in this nation, whites—as the recession winds down—come out and make additional gains in income above and beyond the gains that they made prior to the recession. The theory further goes on to say that blacks come out of that recession later than do their white counterparts, but they—and they make additional gains; but not gains sufficient or equal to the gains made by their white counterparts.

Thus, the conclusion of that theory is that as America continues through its monetary policy and other policies, that to go through cycles of recessions, the net result will be that blacks will always lag behind.

Have I stated the theory clearly to you?

Mr. PERLO. Yes.

Representative MITCHELL. Would you comment on it?

Mr. PERLO. I think part of it is universally accurate. That is, as things have been, blacks always come out of a recession later than do whites and that both gain.

I think that the record shows, however, that it is not always true that blacks gain less than whites in a boom period.

For example, in the late 1960's, which was just following the civil rights legislation and the period of maximum mass public activity on behalf of civil rights, and there was a real movement in the country, the record shows clearly that the relative position of blacks improved during the period of economic boom and prosperity; whereas, in the latest economic boom and prosperity, the opposite was the case.

And I think the reason was essentially the more unfavorable political climate that existed at the latter time.

Representative Mitchell. Thank you.

In another hearing, yesterday, and other hearings last week, we heard witnesses address the problem of black youth unemployment. Those witnesses, some of them indicated that just sheer demographic changes are going to result in a better picture, a better climate for black youth.

They argue that we are at the end of the baby boom era. They argue that following this recessionary trend, the condition in which we now find ourselves, the economy will be expansive, and as a result black youth, in particular, will be moving into better job opportunities.

Although the witnesses did not state this explicitly, I came to the conclusion that their position would be: You really don't have to do but so much right now, that if you wait a little while, the demographic changes in and of themselves will have a positive impact on the picture for black youth unemployment.

Mr. Humphrey and Mr. Perlo, would you comment on that?

Mr. HUMPHREY. Congressman Mitchell, if you look at the demographic data, you will find that we have had a decline in the birth rate.

We are over the so-called baby boom period. It would stand to reason as you approach some period in the 1980's, and I don't know how many years afterward, youth as a percent of total population will go down.

If youth, as a percent of the total population, goes down, it becomes a smaller percentage of the overall problem. And if you get a reduction in the unemployment rate for youth during this period, part of it has to be explained by the fact that you have fewer youth in that labor market.

And while I do see some virtue to the position that was stated at the hearing, I certainly don't think that you can overlook that important fact, the relationship of youth as a factor in the labor force today compared to what it will be in the 1980's based on declining birth rates over the past few years.

I would certainly bring that factor into the equation before I would arrive at the conclusions that some people may project.

Representative MITCHELL. Mr. Perlo.

Mr. PERLO. I think that there is a limited amount of merit to the argument. But I am not sure whether it adds up when you consider the whole picture.

There are two inaccuracies, I would say, in the projection. One inaccuracy is the concept of a vigorous recovery after the present recession. The standard projection is that the economic growth rate will be even slower in the 1980's than it has been in the 1970's. And it has been slower in the 1970's than it has been in the 1960's.

I thought I had in my briefcase a recent comment by Sam Nakagama, who is the economist of Kidd & Peabody Co., one of the leading Wall Street houses. Observing the tremendous strain on the economy coming from the rapidly increasing military budget, he considers that this makes the gloomy economic outlook for the 1980's even grayer than it had been formally.

The second point is that when considering the question of minority youth as a whole, one has to consider demographic trends among blacks in conjunction with the tremendous increase in Hispanic population, Asian population, and others, including an exceptionally high proportion of youth.

Obviously, I think that much more careful study would have to be made before one is certain that the overall minority youth requiring jobs, number of such youth will decline. I suspect that it will continue to increase, all things considered. And that, therefore, in a relatively stagnant economy, the problem may become even more severe rather than less severe.

Representative MITCHELL. I tend to share your view. I must say that I don't think the majority of the members of the Joint Economic Committee would share your view. And certainly, those witnesses who advance the positions that they did do not share your view.

I am somewhat pessimistic, primarily because of the two operative factors right now, two sets of factors that are operative. One, the Federal Reserve's new policies, both in terms of monetary growth or really, monetary decline and the changes in the rate at the discount window which are shoving interest rates up.

Even if we had an abrupt change in either of those two factors, here is what would result.

If we abruptly change—lower the interest rate and abruptly swelled monetary policy, it seems to me you just step up the tempo of inflation, which inevitably, has to be curbed again. And the Feds would have to tighten the screw.

The other possibility, it seems to me, is if we pursue both of those policies, coupled with a kind of fiscal austerity that the Congress is now embarked on.

At the least what we will do is maintain at present an untenable situation and at worst, we will make the present bad situation even worse.

So I am inclined to come down on your side of the coin.

Mr. Humphrey, did you, in your study, attempt to make an assessment of this kind of situation. Had not the wage bill loss occurred for blacks, what would have been the revenues?

Would they have been—well, obviously, there would have been an increase in revenues to the Federal, State, and local governments.

Did you attempt to make any assessment as to what that increase in revenues might be, percentagewise?

Mr. HUMPHREY. No, we did not, Congressman, for obvious reasons.

What we were searching for here was the development of an economic model that we could use to not only do what we attempted to do here, but to use it perhaps to do the type of thing that you are talking about.

This was the first time that we tried this. We wanted to see just what we could come up with. But I suppose if you accept our estimate

of a $61 billion wage gap over the period 1969 to 1974, and if you use a multiplier of 2.5, which I think is rather reasonable, you are talking about a cost to the aggregate community, I suppose, in excess of $150 billion spread over 5 years.

And if you start thinking of that in terms of tax revenues to Federal, State, and local governments, you end up with a sizable amount.

I suppose the model could be refined to grind out the type of projection that you just mentioned.

Representative MITCHELL. I would be very interested in that. We know what unemployment is costing us. There is almost a consensus that $17 to $19 billion for every 1 percent of unemployment per year.

But to the best of my knowledge, and I will confer with staff, I don't think that anyone has done a study on the loss of revenues occasioned or created by sustained black unemployment.

Let's hope that either you two gentlemen or someone who reads the transcript of this hearing might pursue that. I think it would be beneficial for America and the Congress to know more specifically how much money we are losing in terms of revenue.

It might be quite interesting.

This is a kind of nonfriend of the court question, Mr. Humphrey. In your testimony, you say that your study assumes that the number of blacks in the labor force is more than adequate to meet the requirements to raise black employment to a fair-share level.

I would suspect that some persons in the Congress would say, do you really mean that we actually have enough black lawyers and dentists and doctors and scientists and journeymen carpenters to fill a fair share of these jobs in the labor market.

But the only reason that we haven't done this is because of race discrimination in the labor market.

In short, some Members of Congress would raise the question: Does this imply that there would no longer be the need to concentrate on improving the educational and training opportunities for blacks?

Mr. HUMPHREY. That would be a fair question. And certainly, the statement in the text should not be interpreted to imply that there is no longer any need to worry about quality education.

I think what we are saying, Congressman Mitchell, is that in this country there are approximately 30,000 job titles listed in EEOC. And from the standpoint of reporting—employers reporting to the Commission, we have 9 broad job categories, and 30,000 occupations are collapsed into those categories.

If you, for the sake of answering the question, assume that 10,000 of those job titles are properly classified as professionals—now this study in no way is implying that at the present time, or the present availability of blacks with a college degree, and we assume that the college degree is a prerequisite for professional jobs, in no way are we assuming that there is a sufficient supply of blacks to enable blacks to fill a fair-share level of each of those 10,000 jobs.

That is unrealistic.

What we are saying is you have a qualified pool of blacks with college degrees. And if they were properly employed and not underutilized, you would find a situation where blacks, by virtue of their education, would be in many of these job titles, not necessarily a fair-share level

of doctors, a fair-share level of lawyers, but they would be in many of the occupations that they are not into today because they are underutilized.

And the concept of fair share is not a maximum. We are talking about minimum. It is conceivable that you would find blacks heavily concentrated in some occupations, not so heavily concentrated in other occupations.

But we know of cases where blacks with college degrees who are qualified to go into professions other than the two that you have mentioned are denied the opportunity.

And that is what we are talking about and not what the opponents of a fair share would claim as a fair share of 10,000 job titles.

Representative MITCHELL. This is very interesting and I will ask Mr. Perlo to comment on this also. I don't recall the exact circumstance, but we received testimony sometime this year from some witnesses who concluded that as blacks move up in terms of educational achievement and attainment, the disparity gap, the income disparity gap narrows.

And indeed, their testimony indicated that as you reach the very top levels in professions, the income gap disappears altogether.

But, Mr. Perlo, in your statement, in your testimony you indicated that at any given level of educational attainment blacks fare less well than whites.

Mr. PERLO. Yes. That is definitely shown in the latest annual survey by the U.S. Department of Commerce of family and individual income.

However, it does indicate a certain narrowing at the top, but I would qualify that because of the fact that I believe, the way these surveys are conducted, people are asked what their incomes are in certain broad ranges. And then there is an open ended top range.

I would say that a number of people will list themselves as in the open ended top range and they are apt to go very much higher.

But in the formal calculation, the approximate calculation by the Commerce Department, their actual income would appear to be somewhat lower than it really is. And you have, in addition, many more of the whites in the professional and managerial categories who will have a large segment of their income in forms which are either not reported or are only fractionally reported in the Commerce Department figures.

According to the Commerce Department itself, only approximately one-third of all dividend and interest payments are reported for these surveys. Such things as capital gains and I suppose stock options and things like that are not reported at all.

They are completely unreported.

I suspect if one had a total picture, the narrowing would either be nonexistent or very slight.

To further comment on what Mr. Humphrey was saying, I think there is an additional point, of course. I notice that he made in his original statement the important point that there are blacks who are available or trainable for good jobs. And I think that latter is extremely important because it is a fact that a very large proportion of people employed even in higher positions in this society are trained on the

job itself, regardless of what the preliminary education requirements are.

Much of the discrimination is not offering them the opportunity. And then if we take important occupations—like that of a carpenter—I believe that there aren't many places where you will not find black carpenters who are fully as able, fully as skilled in the trade as white carpenters, and who are not admitted into the highest paying carpenter jobs, unions or whatever, and do their carpenter work on the side when they can get it for a fraction of the total earnings of the white carpenters.

So all of these kinds of things enter into the picture.

Representative MITCHELL. Do you have a comment on that, Mr. Humphrey?

Mr. HUMPHREY. I concur with Mr. Perlo. The problem when you look at this from the employment opportunity situation, we speak of qualified versus nonqualified. But really, you are thinking about qualified versus qualifiable. When the employer uses the concept of qualified, he automatically restricts the size of the pool, and that has an adverse impact upon blacks in terms of employment because fewer of them are there.

But if you expand the concept of the pool to qualifiable and then make your selections, you have more blacks in that pool. If your process of selection is done now on a basis of fairness and if the law of averages come into play, speaking of a nationwide situation, it is almost impossible not to get a sufficient number of blacks out.

Now regardless whether an employer defines his pool as qualified or qualifiable, he engages in training.

The question may be it costs less to train a qualified person than a qualifiable person.

That may be true. But you must measure training costs in terms of how long the individual will stay with the employer. A person who is qualified and comes onto a job and takes training—let's say it takes 2 weeks to train him or it takes 4 weeks and the qualified person only takes 1 or 2 weeks, the difference is a 100-percent increase in training costs.

But if the qualifiable person stays there four times or five times longer, then the qualified, so-called qualified person, you take that training cost and divide it over the number of years and his cost is less and his returns are much greater.

The employer gets a greater return on his investment in training costs if the employee stays longer.

That is why I think it is very important to speak of qualifiable in view of the fact that Mr. Perlo said training takes place in this country every day.

Even the president of a company, he must be trained.

Representative MITCHELL. Even a Member of Congress. [Laughter.]

Mr. HUMPHREY. You said that, Congressman Mitchell. [Laughter.]

Representative MITCHELL. It's true. For some time I have become increasingly interested in our tax policies. Last year I attempted a human needs amendment on the budget, where we would increase the amount of Federal funds available to the human needs programs by dealing with some of the tax loopholes.

By way of illustration, the amount of money that corporations claim right off under research and development and yet we have studies

which show that only a very small percentage of the money claimed as being tax free in research and development is really used for research and development. It is used to subsidize the product line of those corporations in many instances.

Mr. Perlo, I want to explore with you an area with reference to tax policies. I maintain that tax policies that promote accelerated capital depreciation have an effect of widening the gap because they essentially substitute capital for marginal labor. The marginal labor market is basically the black, Hispanic, and female workers.

The argument is used that our productivity performance is lagging, and thus we cannot become competitive on the international market.

Am I correct in assuming that accelerated capital depreciation replaces minority workers. Would that be a fairly safe assumption?

Mr. PERLO. I would qualify my concurrence with you in this way. There is plenty of capital investment in this country but the problem, is that, if one studies where the capital is flowing, the rate of increase in capital investment by transnational corporations overseas and in Canada and in Mexico is many times faster than the rate of increase in the United States. And therefore this is one of the big problems in slack employment within the United States.

If you take the total employment by U.S. corporations globally, you will find that it increases considerably faster than employment within the United States. In other words, if all investment were in the United States, unemployment would be considerably less.

I don't feel, I really don't feel that capital investment per se is destructive of employment. I think capital investment per se is only destructive of employment to the extent that it is not accompanied by other actions which increase the incomes of the people that will have to buy the goods that are produced by the more efficient capital.

In that sense, the taxation policy is very relevant, because the taxation policy which our government has had for many years, which is steadily decreasing the proportion of taxes paid by corporations and increasing the proportion paid by workers, tends to widen the gap between productive capacity and mass purchasing power. And in that sense, accelerated depreciation and investment credit and all of these other loopholes are worsening the employment situation and income situation of blacks and so forth.

Representative MITCHELL. You come at it the other way, the reduction of consumer purchasing power. But we arrive at the same result.

Mr. PERLO. Yes.

Representative MITCHELL. Mr. Humphrey, you have indicated in your testimony that blacks are required to have more education than whites in order to take advantage of similar educational opportunities. Once again, some of my colleagues would argue.

Look, there are a whole lot of white youth and white women who are well educated, have college degrees, and yet you find them working in retail sales industries, supermarkets, and so forth. They are over educated for the jobs they are performing. How do you explain this, that a large number of whites, both women and youth, are finding jobs in areas, retail sales for example, and they are obviously overqualified for these jobs.

Mr. HUMPHREY. We did not treat that particular question in this statement, but we must realize that women, too, are the victims of employment discrimination, and I would suspect that women are required, as a whole, to have more stringent educational requirements than white males. And if you find what we call an overconcentration of women who are qualified to do other activities in the sales-type jobs, it may be a question of necessity of employment.

A person may need a job. And due to discrimination, be it racial, sexual, or national origin, they may be forced to take the job that is available. It is not just a black question, as we have laid out in this publication, but we were merely talking about blacks in the study.

I am quite sure the same thing, what we have said about blacks, holds true for other groups in this country: Hispanics, other ethnic groups and women, and perhaps youth in general.

Representative MITCHELL. So your answer is that the overqualified white youth or white woman is working in a job far below their qualifications is really the result of a discriminatory pattern.

Mr. HUMPHREY. I would say so. They are working at levels beneath their potential or capability. It is a matter of working, and until you remove the factors that lead to discrimination against youth, against women and other groups, you are going to find members of these groups underutilized.

Representative MITCHELL. Thank you. The Congress is not omnipotent. It is certainly not omniscient. It is omnipresent, everywhere you look there we are. [Laughter.] We are not in those other two categories.

Therefore, I always come down to the bottom line. What in the world do we do? How do we end this?

You have given some indications, Mr. Perlo, about how it might be ended. You talk about doing something to stabilize prices and you have made some other suggestions. I have not heard any from Mr. Humphrey as yet.

What will happen is, after these hearings, someone will say: What specifically are you going to recommend, Parren Mitchell, that you can almost be reasonably assured will work, that given the variations in the economic picture and all of that kind of stuff, what can you recommend? What steps, A, B, C, D would you recommend? Gentlemen?

Mr. HUMPHREY. Congressman Mitchell, if I knew—and I am being very frank and candid—the answer to that question, I would doubt seriously whether I would be here today appearing before this committee. That is a tough question.

What can we do beyond what we are doing now? I am at a loss, Congressman Mitchell. We have made some changes in the law. We have reorganized the civil rights effort. We have reorganized the Commission. We have systemic programs going. It is my understanding that the reorganization of some other compliance efforts is going on.

Short of what we are doing today, I really don't know, because what you are talking about, we are talking about race and sex, then we are talking about mental attitudes, and I don't know how to get inside the head or the heads of the people you have got to change—America has to change.

Representative MITCHELL. All right, but let me ask you this: We did bring about some very fundamental changes; isn't that correct?

Mr. HUMPHREY. Right.

Representative MITCHELL. And I think those changes did result in part from governmental actions to change attitudes, not only governmental attitudes but the churches and some businessmen got into the picture trying to change attitudes.

What I care is that there has been a remarkable slackening of that effort, and maybe along with some other suggestions that Mr. Perlo might want to make, maybe we should embark on another wave of propaganda. That's what it is, it is good propaganda. White propaganda as opposed to some other color. It is just good propaganda to start educating in terms of racism.

Mr. HUMPHREY. I think you're correct, Congressman Mitchell. We need to remind America that it is here, and we need to show America the depths to which this discrimination exists in this country and what it is costing this country not only in terms of lost dollars; you have a lot of social implications of discrimination: Poor housing, poor health, poor education, diets, all of these problems relate to this entire attitude.

America needs to be reawakened to the fact that it is here, that it exists, and that it is not going to go away by my wishing it to go away or you or anyone else. I think we are just going to have to redouble our efforts, whatever that means. As I said, I am at a loss. I would like to see it ended today, but I am practical enough to know it is not going away today nor tomorrow.

Representative MITCHELL. Do you have any specific recommendations? You mentioned one or two, Mr. Perlo, dealing with the whole microeconomic picture which may have a salutary influence on this picture. Do you have some more?

Mr. PERLO. Just to follow up a bit on what Mr. Humphrey said, I think by my observation as a white person, and speaking of my white acquaintances, my acquaintances with other white people in all walks of life, I think it is clear that the degree of prejudice among the white population in general, a great majority, is much, much less than with the case 10 or 20 years ago. And the population would support strong measures to improve the situation. This is my opinion.

However, I also think, as you said, Congressman, that a tremendous propaganda effort is necessary and, even more, the kind of organizing of the constituency that will be committed to this end.

I do agree that progress in the area of reducing economic disparities is closely connected with all other major issues in our economy. In my book on the subject, "Economics of Racism," I made the point that all programs to specifically improve the conditions of blacks should, to be successful, be connected with programs to improve the situation of all working people.

This would embody such broad areas as tax reform, shifting of priorities from the military to civilian needs, large-scale programs which would both provide jobs in the millions and millions and would, at the same time, provide tremendous social needs we have in our country for transit and housing and many other things, and policies with respect to foreign trade that would cause us to export much more goods providing jobs, and export less capital, which take jobs out of the country.

I just wanted to say a final word in this general area. I think it is no secret that I am a supporter of socialism as a social system. I think a

lot of the evils of our present-day society are those which grow out of capitalism, including racial discrimination.

But I do have the opinion that capitalism does not require racial discrimination in order to exist. Just as capitalism did not require the prohibition of trade unions in order to exist.

I therefore believe that tremendous progress can be made, even while we live under the system of capitalism, toward reducing, minimizing and striving to absolutely eliminate all forms of racial discrimination. That is the way I approach this problem concretely.

Representative MITCHELL. Thank you. It is almost 12 noon. Just one last comment from me, and I move into a very dangerous area because I move into the area of political-philosophic-economic thinking. Let me just say that I am not at all sure that the lines of demarcation, Mr. Perlo, are still as sharply etched between socialism and capitalism as they once were.

We will consider it sometime in the near future, government intervention in the working of a private corporation. A large automobile manufacturing corporation.

Certainly if we intervene that might well be interpreted by some as moving in a socialist direction. So I just want to say for the record, I think the lines that were once sharply etched are more and more being blurred, and indeed I was not amazed but I chuckled over the growth of private capitalism in the Soviet Union relative to the tourist trade, when people were renting out their apartments for the tourists. [Laughter.]

Well, forgive that little aside, and thank you very much, gentlemen, for being here. This committee is now adjourned.

[Whereupon, at 11:54 a.m., the committee adjourned, subject to the call of the Chair.]